

Message Text

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53

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 SS-15 SP-02 NSC-05 SAM-01 AID-05

CIAE-00 INR-07 NSAE-00 /053 W

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R 191524Z APR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2205

INFO DEPT TREASURY

C O N F I D E N T I A L CAIRO 5278

EO 11652: GDS

TAGS: EFIN EG

SUBJECT: CHASE USE OF PL 480 FUNDS

REF: (A) STATE 066445, (B) CAIRO 4607

1. IN COURSE OF MY CALL TODAY ON MINECON ZAKI SHAFEI, I GAVE HIM A LETTER RECALLING SECRETARY SIMON'S DISCUSSION ON THE DESIRABILITY OF PERMITTING A PORTION OF THE LE 10 MILLION TRANSFERRED TO CHASE TO BE UTILIZED FOR LOANS TO THE PRIVATE SDCTOR. I HAD NOW BEEN INSTRUCTED TO REITERATE OUR INTEREST IN PERMITTING A PORTION OF THESE EGYPTIAN POUNDS TO BE LOANED TO THE PRIVATE SECTOR. AS A PRELIMINARY STEP, WE PROPOSE THAT LE 6.5 MILLION OF THE TOTAL AMOUNT BE RELEASED FROM EXISTING RESTRICTIONS FOR LENDING PURPOSES.

2. SHAFEI RECALLED THE DISCUSSION WITH SECRETARY SIMON. HE PERSONALLY LIKED THE IDEA, ALTHOUGH HE NOTED THAT MINFANANCE ABU ISMAIL IS OPPOSED ON THE GROUNDS THAT ANY FURTHER INFUSION OF EGYPTIAN POUNDS INTO THE CAPITAL MARKET FOR EGYPTIAN PUBLIC OR PRIVATE USES WILL HAVE AN INFLATIONARY EFFECT. SHAFEI DISAGREED WITH HIS MINISTERIAL COLLEAGUE. WHILE RECOGNIZING THAT TOO GREAT AN INFUSION OF FUNDS WILL INDEED HAVE AN INFLATIONARY EFFECT, HE THOUGHT 6.5 MILLION IS SUFFICIENTLY MODEST THAT THE EFFECT SHOULD NOT BE SIGNIFICANT.

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3. HE UNDERTOOK TO CONSULT HIS COLLEAGUES AND PROMISED
TO LET ME KNOW ASAP.

4. COPIES OF MY LETTER HAVE ALSO BEEN SENT TO MINFINANCE
AND GOVERNORS OF CENTRAL BANK FOR THEIR INFO. COPY IS
BEING POUCHED TO NEA/EGYP.
EILTS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Current Classification: UNCLASSIFIED
Concepts: PL 480, FOREIGN EXCHANGE HOLDINGS, POUND (CURRENCY), INTEREST RATES, LOANS
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Copy: SINGLE
Draft Date: 19 APR 1976
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Disposition Authority: RowellE0
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Margaret P. Grafeld
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04 MAY 2006

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